

Chapter 2. ESSENTIALS FOR RECORDING OBLIGATIONS

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02-01 PURPOSE.

This chapter prescribes the criteria for establishing and recording obligations within NOAA, the Bureau of Industry and Security (BIS), and the Economic Development Administration (EDA). It supplements Department of Commerce (DOC) Accounting Principles and Standards Handbook, Chapter 7, "Administrative Control of Funds," NOAA Administrative Order No. 203-34, "Certification of Obligations," and Title 7, Chapter 3 of the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies. Chapter 15 "Cost and Obligation Adjustments" of the NOAA Finance Handbook provides procedures for correcting erroneously recorded cost or obligation data and/or to process deobligation requests so that accurate information will be reflected in the accounting system and reports.

02-02 AUTHORITY.

1. The Anti-deficiency Act (31 U.S.C. 1341) which requires that obligations shall not exceed amounts appropriated or apportioned, or amounts allotted.

2. Section 1311 of Supplemental Appropriation Act, 1955 (Public Law 663, 83d Congress; 31 U.S.C. 1501), as amended, which sets forth the criteria (documentary evidence of obligations) that govern the recording and reporting of financial transactions as obligations.

3. Title 31 U.S.C., Section 1517, Prohibited Obligations and Expenditure, which limits obligations to the amount of an apportionment and requires that responsibility be fixed and violations be reported.

4. The Federal Acquisition Regulations which codifies uniform policies for acquisition of supplies and services.

5. OMB Circular A-11, Part 4, which contains instructions relating to apportionments and reports on budget execution.

6. Principles of Federal Appropriations Law, Third Edition, which presents a basic reference work covering the body of law governing the expenditure of federal funds.

02-03 SCOPE.

This regulation is applicable to all components of NOAA and cross-serviced agencies to which funds are available. The Under Secretary of Commerce for Oceans and Atmosphere and NOAA Administrator is responsible for the management of allotted and apportioned funds within NOAA. The line of delegation ends at the Financial Management Center (FMC) level. Budget Execution issues a Fund Availability Table via e-mail and the FMCs have the responsibility for management of funds (allowances) to which obligations are posted and for tasks to which costs are charged. For information about remaining balances at any time during the fiscal year, an FMC may refer to a Quick Report within the Commerce Business System (CBS), "Budget Execution Funds Balance Table."

02-04 DEFINITIONS.

1. Reserves--appropriations, funds or contract authority set aside for contingencies or savings. Reserves established by Office of Management and Budget (OMB) on an apportionment can be released only by means of an approved reapportionment.

2. Commitments--preliminary actions which will ultimately result in obligations to the government if carried through, such as purchase requisitions, estimated travel orders, or unsigned contracts/grants.

3. Obligations--amounts of orders placed, contracts awarded, services received, and similar transactions made by Federal agencies during a given period, which will require outlays during the same or some future period. Obligations also include outlays where an obligation had not been previously recorded and will reflect adjustments for differences between obligations previously recorded and actual outlays to liquidate those obligations. Obligations include amounts recorded as Accounts Payable (A/P), Undelivered Orders (U/O), and disbursements for which an A/P or U/O had not been previously recorded.

02-05 GENERAL CONCEPTS.

1. Anti-deficiency Act In accordance with the Anti-deficiency Act, 31 U.S.C. 1341(a), no obligation may be incurred before the appropriation act is enacted, unless specifically authorized by law. The Anti-deficiency Act (ADA) also prohibits expenditures or obligations which exceed the amount available in an appropriation. See the Department of Commerce Accounting Principles and Standards Handbook, Chapter 7, for information on prohibited actions under the ADA. In general:

- a. expenditures prior to the beginning of the fiscal year(s) covered by the appropriation are unauthorized; and
- b. obligations prior to the start of the fiscal year are permissible only if the relevant appropriation act has already been enacted and only where actual disbursements are deferred until after the start of the new fiscal year.

2. Necessary Expense For an expenditure to be justified, three tests must be met:

- a. the expenditure must bear a logical relationship to the appropriation sought to be charged;
- b. the expenditure must not be prohibited by law; and
- c. the expenditure must not be otherwise provided for; that is, it must not be an item that falls within the scope of some other appropriation or statutory funding scheme.

3. Fund Availability Appropriated funds are legally available only when:

a. the purpose of the obligation or expenditure is authorized;

b. the obligation occurs within the time limits applicable to the appropriation; and

c. the obligation and expenditure are within the amounts Congress has established.

NOAA's/cross-serviced agencies' appropriations may be validly obligated only to meet a legitimate need. Payments are chargeable to the year in which the obligation took place, even though not actually disbursed until a later year. Contracts or purchase orders for needed goods, supplies, or services must be executed before the end of the period of availability.

4. Adjustments Recorded obligations will be adjusted promptly upon the occurrence of any transaction, which increases or decreases the liability previously established. Individuals who initiate or are responsible for such transactions will promptly furnish, to their servicing finance office, the documentary evidence, which will permit the obligation to be adjusted. Any change in a contract, purchase order, or other obligating instrument, which will alter the scope and increase the amount of the obligation will not be made until the availability of funds is ascertained in the same manner as for an original obligation. (Also see Section 07 of this chapter, NOAA Administrative Order No. 203-34, and Chapter 15 of this Handbook.) A change in vendor also requires a modification.

5. Year-End Accruals Costs for goods or services that will be received by September 30, but which NOAA will not pay by year-end, must be accrued. The Finance Office provides details in the "Final Year-End Instructions" at the end of each fiscal year. See <http://www.corporateservices.noaa.gov/%7efinance/FOAOD.html> and click on "Accruals" for an accruals presentation.

6. Documentation Amounts will be recorded by the Accounting Operations Division (AOD) (NFA23), Eastern Finance Branch (Norfolk), Central Finance Branch (Kansas

City), Mountain Finance Branch (Boulder), Western Finance Branch (Seattle), Financial Reporting Division, and Grants Office as obligations against applicable appropriations or funds only when supported by documentary evidence (properly dated and bearing appropriate authorized signatures) of the following:

a. a binding agreement between NOAA/cross-serviced agencies and an agency or other parties that is

(1) in writing, in a way and form, and for a purpose authorized by law; and

(2) executed before the end of the period of availability for obligation of the appropriation or fund used for specific goods to be delivered, real property to be bought or leased, or work or service to be performed.

b. a valid loan agreement showing the amount and terms of repayment.

c. an order required by law to be placed with a Government Agency.

d. an order issued under a law authorizing purchases without advertising:

(1) when necessary because of a public exigency;

(2) for perishable subsistence supplies; or

(3) within specific monetary limits.

e. a grant or subsidy payable:

(1) from appropriations made for payment of, or contributions to, amounts required to be paid in specific amounts fixed by law or under formulas prescribed by law;

(2) under an agreement authorized by law;
or

(3) under plans approved consistent with and authorized by law.

f. a liability that may result from pending litigation.

g. employment or services of persons or expenses of travel under law.

h. services provided by public utilities.

i. other legal liabilities of the Government against an available appropriation or fund.

If a given transaction does not meet any of the criteria above, it is not a proper obligation and may not be recorded as one. Conversely, once one of the criteria is met, the transaction must be recorded as an obligation.

7. Discounts Obligations incurred for contracts or purchase orders which provide for discounts (trade or cash), if first established as Undelivered Orders, would be recorded at gross. When paid within the discount period, the cost of the asset or service received would then be recorded at net.

8. Contingent Liabilities A contract creating a contingent liability, such as an indemnification agreement or contract termination charge, must not impose an indefinite or potentially unlimited liability on the Government. Absent expressed statutory authority, the government may not enter into an agreement to indemnify where the amount of the liability is indefinite, indeterminate, or potentially unlimited. Such an agreement would violate the Anti-deficiency Act (ADA).

a. Where the agreement is definite and sets forth the means to determine (measure) the maximum dollar limits, the obligation would cite appropriations current at the time the contract is made. The amount will be based on the conditions stated in the indemnification agreement or contract termination clause as determined by the termination-contracting officer.

b. Where the contract includes an express limitation of the liability to appropriations

available at the time of the loss and expressly precludes any inference that Congress would appropriate sufficient funds to meet any deficiency, the obligation would be recorded when the agency is notified that a loss has occurred. The amount obligated would be based on the written estimate of loss.

c. In the case of some indefinite price contracts, it may be difficult to determine the precise amount of the Government's liability at the time the contracts are made and to determine the Government's ultimate liability under such contracts. The government can enter into such a contract without violating the ADA as long as it has sufficient appropriations available at the time the contract is entered into to pay the lesser amount.

In these cases, the allottee is responsible for reserving funds to cover the Government's potential or contingent liability under the contract, in excess of that amount which may be recorded as a valid obligation, to insure that sufficient funds are available to cover net increases in obligations, if and when it becomes a legal liability of the government. It is not necessary that the total amounts of contingent liabilities be reserved, but only the net amount required under each appropriation after considering increases and decreases recordable as adjustments.

02-06 RECORDING OBLIGATIONS.

1. Contracts "Contract" means a mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them. It includes all types of transactions that obligate the Government to an expenditure of appropriated funds and that, except as otherwise authorized, are in writing. In addition to bilateral instruments, contracts include awards and notices of awards; job orders or task letters issued under basic ordering agreements; letter contracts; orders, such as purchase orders, under which the contract becomes effective by written acceptance or performance; and bilateral contract modifications. [FAR 2.101]

It is the responsibility of the contracting officer to ensure that all requirements of law, executive orders, regulations, and all other applicable procedures, including clearances and approvals, have been met [FAR 1.602-1(b)] before forwarding documentation to the servicing finance office to record an obligation. Contracting officers are also responsible for ensuring that sufficient funds are available for obligation. Obligations in excess of the actual amount available at any given time are prohibited. [FAR 1.602-2(a)]

After execution by all parties, the contracting officer distributes a copy of the contract to the servicing finance office. [FAR 4.201(c)] The contracting officer normally signs the contract after it has been signed by the contractor [FAR 4.101]. Therefore, the date of the contracting officer's signature may be used to determine which year the obligation occurred.

a. Awarded vs. Negotiated To determine which fiscal year to cite in recording the obligation of contracts between NOAA/cross-serviced agencies and contractors (including foreign and state governments and instrumentalities), a determination must first be made as to whether the contract is awarded or negotiated.

(1) Where a notice of award or acceptance is issued in writing to a contractor, an obligation will be recorded based upon the date of the contracting officer's signature, provided:

(a) the notice of award does not change the terms of the contract's written proposal, and the purpose and scope of the contract to be executed are clearly evident; and

(b) if the notice of award imposes conditions such as to cause it to become, in effect, a counter-offer (negotiated), an obligation will NOT be established or recorded until written acceptance by the contractor is obtained.

(2) Contracts that are negotiated require signatures of both the contracting officer and the contractor before an obligation is recorded, and the latter of the two signatures will dictate the fiscal year to be cited.

b. Firm Fixed-Price Contracts

(1) Record an obligation for the total fixed-price stated in the contract.

(2) Awarded contracts will be charged to the fiscal year of the date of the contracting officer's signature.

(3) Negotiated contracts will be charged to the fiscal year of the date of the signature of the contracting officer or the contractor, whichever is later.

c. Fixed-Price Contracts with Escalation, Price Re-determination, or Incentive Provision

(1) Record an obligation for the amount of the fixed-price stated in the contract or the target or billing price in the case of a contract with a price re-determination or incentive clause.

(2) For any type of contract having both a target and ceiling price, the obligation will be recorded for the amount of the target price. The amount so recorded will be increased or decreased in the amount provided for in modifications to the contract.

(3) Awarded contracts will be charged to the fiscal year of the date of the contracting officer's signature.

(4) Negotiated contracts will be charged to the fiscal year of the date of the signature of the contracting officer or the contractor, whichever is later.

d. Cost Reimbursement and Time and Material Contracts

(1) Record an obligation for the amount of the total estimated costs or payments shown or provided for in the contract exclusive of options but including the fixed fee in the case of cost-plus-fixed-fee contracts. The amount recorded will be increased or decreased in the amounts provided for in modifications to the contract.

(2) Charge the fiscal year during which the contract was let.

e. Cost-Plus-Fee Contracts Allow for revision of the contract price based upon events or formulas as stated in the contract.

(1) Obligate the total estimated costs, including the total fixed fee, if any, or the total maximum amount if one is stated.

(2) Charge the fiscal year during which the contract is let.

f. Fixed-Fee per Unit of Production The contractor's fixed fees are based upon units of production and the determination of the fixed fee is automatic (e.g., where the contract specifies a fixed fee per unit of production).

(1) The obligation for the fixed fee will be recorded or adjusted on the basis of the production schedules issued reflecting such adjustments.

(2) Charge the fiscal year during which the production schedule is issued.

g. Fixed-Fee with Provision for Adjustment Based upon negotiation and the execution of a supplemental agreement.

(1) See procedures in Sec 02-06, 1.a. (1)-(2).

(2) The obligation adjustment will not be recorded until the supplemental agreement is executed.

(3) Production schedules or work orders will not be used for recording adjustments in obligations for contractor's fixed fees, which are subject to negotiation.

h. Indefinite Delivery--Definite Quantity

(1) Record an obligation for the fixed quantity stated in the contract.

(2) Charge the fiscal year that is current at the time the contract is awarded.

i. Indefinite Delivery--Indefinite Quantity

Provides for an indefinite quantity, within stated limits, of specific supplies or services, to be furnished during a fixed contract period, with deliveries to be scheduled by the timely issuance of orders to the contractor. Depending upon the situation, the contract may provide for firm fixed prices, price escalation, or price re-determination.

(1) Record an obligation for the stated minimum quantity.

(2) Charge the fiscal year during which the contract is awarded.

(3) Obligate funds for other than the stated minimum quantity upon issuance of each delivery order.

j. Requirements Contracts Provides for filling all actual purchase requirements of specific supplies or services during a specified contract period with deliveries to be scheduled by the timely issuance of orders to the contractor.

(1) Record an obligation for the amount specified in the delivery order.

(2) Charge the fiscal year current at the time the delivery order is issued to the contractor.

k. Letters of Intent and Letter Contracts

(1) Where such letters constitute binding agreements under which the contractor is authorized to proceed.

(a) Record an obligation for the maximum liability indicated in the letters.

(b) Charge the fiscal year current at the time the letter is issued.

(2) Increase or decrease the recorded obligation to the amount provided for in the definitive contracts when they are executed.

(a) Adjust the record to equal the contract amount if the funds have not expired.

(b) If funds have expired and the actual costs are known, obligate the contract amount less the actual costs incurred under the letter contract for the fiscal year that is current at the time the contract is finalized. (The effect is to have the actual cost remain an obligation against the expired funds.)

(c) If funds have expired and actual costs are not known, obligate the fiscal year current at the time the contract is finalized for the contract amount less the amount of the legal liability already obligated under the letter contract. (The effect is to have the maximum amount that is obligated under the letter contract remain an obligation against expired funds.)

(3) If the letters merely indicate an intention on the part of the Government to enter into a contractual relationship at a later date, the amounts involved will not be treated as obligations.

1. Contracts for Periodical Subscriptions

(1) Record an obligation for the total amount of the contract.

(2) Charge the fiscal year in which the contract is executed.

(3) Charge the entire amount of the advance payment for the subscription to the appropriation for the fiscal year that is current at the time the subscription contract is executed irrespective of the fact that the subscription may extend beyond the end of that fiscal year or for more than one fiscal year. This is applicable also when deliveries begin in the current fiscal year, even though the payments are to be made in installments, some of which will be made in a subsequent fiscal year.

m. Annual Supply Contracts

(1) Record an obligation for the contract amount.

(2) Charge the fiscal year in which the contract is executed.

(3) Account for increases in quantity, pursuant to contract provisions, as options. That is, if a supply contract is executed in one fiscal year and the option to increase the quantity to be delivered under that contract is exercised in a subsequent fiscal year, charge the funds of the fiscal year in which the option is exercised.

n. Replacement Contracts This type of contract arises when a contractor defaults and it is necessary to terminate that contract and enter into a new contract with another contractor to complete the unfinished work. The funds remaining on the defaulted contract will be available for the replacement contract upon the approved request from the NOAA Budget Officer.

(1) Record an obligation for the amount of the replacement contract.

(2) Charge the fiscal year of the original contract. Include additional amounts above those

remaining from the defaulted contract, provided the replacement contract does not exceed the scope of the original contract.

o. Conditional Contracts Transactions with commercial contractors for such items as subsistence, leased space, or maintenance, in connection with programs that are of a continuing operational nature, may involve administrative lead time.

(1) In those instances where the contract will be charged to funds of the new fiscal year and the contracting action is to be initiated before the funds are available, the contracting officer will insert the appropriate clause as prescribed in the FAR. In general, it states that the funds are not presently available and that the government's obligation is contingent upon the availability of appropriated funds.

(2) No services or supplies will be accepted and no obligation will be recorded in these cases until funding authority for the new fiscal year has been received.

p. Intra-Governmental Agreements--Economy Act Orders Statute 31 U.S.C. 1535 authorizes the inter- and intra-departmental furnishing of materials or performance of work or services on a reimbursable basis.

(1) Record an obligation for the amount stated in the order.

(2) Charge the fiscal year during which the order is placed or the contract is let.

(3) Where NOAA is the performing agency and has received advances from an agency's annual appropriation, the amount unobligated must be returned at the end of the fiscal year to the extent that valid obligations have not been incurred.

q. Intra-Governmental Agreements--Joint Project Authority Statute 15 U.S.C. 1525 permits the participating agencies/organizations to enter into a

binding agreement under which all funds will be obligated upon transfer to the performing agency.

(1) Record an obligation for the amount of the interagency agreement.

(2) Charge the fiscal year current at the time the agreement becomes effective.

(3) Where NOAA is the performing agency and receives advances from an agency's annual appropriation, any unobligated amounts at year end are not required to be returned.

2. Capital Leases OMB Circular A-11 and the Anti-deficiency Act require that agencies have sufficient budgetary resources up front to cover the present value of the remaining lease payments discounted using Treasury interest rates, e.g. full funding. See OMB Circular A-11, Appendix B, for additional information.

a. Full funding may be accomplished by obtaining up-front contract authority.

(1) Requires authorizing legislation and not necessarily advance appropriations.

(2) Agency must then seek a subsequent appropriation of the cash.

(3) Obligations may then be recorded in advance of the appropriation of the cash.

b. If NOAA does not receive contract authority for planned new acquisitions or renewals classified as capital leases:

(1) Where possible, and without significant adverse impact to the mission, convert new acquisitions or renewals to operating leases in order to conform to OMB A-11.

(2) If NOAA's mission would be compromised by entering into or renewing as an operating lease:

(a) approval may be sought from the NOAA Finance and Administration (NFA) Budget Office to enter into a capital lease without "sufficient up-front budgetary resources."

(b) The Budget Office must notify OMB and DOC about the decision to award a capital lease without up-front funding.

3. Loan Agreements

a. Direct Loan

(1) In the program account, record an obligation for the estimated subsidy cost.

(2) In the financing account, record an obligation for the full amount of the direct loan.

(3) Charge the fiscal year that is current at the time the binding promise to make the direct loan was executed, i.e., when the loan approval was communicated to the applicant. There must be documentary evidence of that communication.

b. Guaranteed Loan

(1) In the program account, record an obligation for the estimated subsidy cost.

(2) In the financing account, no obligation is recorded. However, a memorandum entry is made for the amount of the guarantee.

(3) Charge the fiscal year that is current at the time the loan guarantee commitment is made.

(4) When a default occurs and the demand is paid, record an obligation in the financing account for the amount of the demand paid on the guarantee.

(5) Charge the fiscal year of the subsidy appropriation that had transferred funds to the financing account.

4. Interagency Orders Required by Law

a. Certain orders are required by law to be placed with Government agencies such as the following:

- (1) Federal Prison Industries, Inc.,
- (2) Government Printing Office,
- (3) General Services Administration; and
- (4) National Industries for the Blind.

b. Record an obligation for the amount of the order at the time the order is issued.

5. Orders Issued Under Law

a. Blanket Purchase Agreements (BPA) A BPA is not a contract. Funds are not obligated when the BPA is established. Obligations are made by each call/order placed against the BPA.

(1) Record an obligation for the amount of the call/order.

(2) Charge the fiscal year that is current when the order is issued.

b. Purchase Orders

(1) Record an obligation for the amount of the order.

(2) Charge the fiscal year that is current when the order is issued.

6. Grants

a. Record an obligation for the amount of the grant award.

b. Charge the fiscal year that is current when the grant agreement is executed. In most cases, this is when the award instrument is communicated to the grant recipient.

c. Record amendments to the original grant as an obligation of the year in which the amendment is signed by both parties.

7. Pending Litigation

a. Land Condemnation Based on a written determination.

(1) Record an obligation for the estimated amount of the judgment.

(2) Charge the fiscal year that is current when the request is made to the Attorney General to institute the proceedings.

b. Impoundment Litigation

(1) Record an obligation for the amount stated in the court order.

(2) Charge the fiscal year that is current at the time the court order is entered, provided the period of availability has not lapsed.

8. Employment and Services

a. Salaries and Wages In general, record obligations for personal services on an accrual basis to the end of the month and not merely to the end of a pay period ending within the month. Conversely, do not include any amounts, which actually pertain to earnings accruing for the following month.

(1) Record an obligation for the amount of salaries and wages earned.

(2) Charge the fiscal year during which the salaries and wages are earned.

b. Allowances

(1) Living/quarters allowances and equalization allowances under 5 U.S.C. 3373:

(a) Record an obligation for the amount of the allowance.

(b) Charge the fiscal year during which the salaries and wages (on which the allowances are based) are earned.

(2) Uniform allowances

(a) Record an obligation for the amount of the allowance.

(b) Charge the fiscal year during which the allowance becomes payable to the employee.

c. Incentive Awards

(1) Record an obligation for the gross amount of the award.

(2) Charge the fiscal year in which the award is approved by authorized officials. A copy of the document approving the award will be used to support the obligation.

d. Employer's Contributions

Thrift savings plan

Retirement fund

Premiums for insurance

FICA taxes

(1) Record an obligation for the amount of the contribution.

(2) Charge the fiscal year during which the salaries and wages (on which the contributions are based) are earned.

e. Severance Pay

(1) Record an obligation for the amount of the severance pay.

(2) Charge the fiscal year of the pay period covered, on a pay period by pay period basis, as it is earned.

f. Annual Leave Unfunded annual leave accrues as it is earned by employees. Except for work under a revolving fund, no obligation is incurred for the annual leave until it is taken. The expense for the annual leave accrued is recorded as an unfunded liability in the general ledger.

(1) Record an obligation for the amount of the annual leave taken.

(2) Charge the fiscal year during which the leave is taken or it becomes due and payable as terminal leave.

g. Commissioned Officers

(1) Personal services

(a) Record an obligation for the amount of services performed.

(b) Charge the fiscal year during which the services are incurred, even though the service member is in a travel status, on duty elsewhere, in a hospital, or in other authorized pay status.

(2) Pay and Allowances

(a) Record an obligation for the amount of the entitlement earned as evidenced by a written administrative determination based upon current statistics

reflecting the pay rates and allowances applied.

(b) Charge the fiscal year during which the services are rendered.

(3) Other charges based on entitlements, such as NOAA's share of FICA

(a) Record an obligation for the amount of the charge.

(b) Charge the same fiscal year as the related entitlement (earnings).

9. Travel

a. Temporary Duty Travel (TDY)

(1) General rule

(a) The issuance of a travel or transportation order in itself does not constitute a contractual obligation. Such orders constitute an authorization for the person specified to incur the obligation. The obligation is not incurred until the travel is actually performed.

(b) Record an obligation for the amount of the actual expense incurred.

(c) Charge the fiscal year current during which the expenses are incurred, not when the travel is authorized.

(2) Travel spanning two fiscal years

(a) Record an obligation for the amount of the expense incurred pertaining to the separate fiscal years.

(b) Separately charge the fiscal year in which the particular travel expenses were incurred except as noted below in (e) "Round-trip ticket."

(c) Tickets purchased in one fiscal year (September) but travel performed in the following fiscal year (October)

(1) Record an obligation for the amount of the ticket purchased.

(2) Charge the fiscal year in which the travel is performed, even though early purchase of the tickets may have been necessary to assure reservations.

(d) Continuous journey involving more than one segment, for example, segment 1-- ticket for travel from city A to city B, segment 2--from city B to city C, segment 3--from city C to city D, and segment 4--from city D back home to city A.

(1) Record an obligation for the amount of the ticket purchased.

(2) Charge the fiscal year that is current at the time the travel is performed, even though early purchase of the tickets may have been necessary to assure reservations.

(3) Procurement of transportation en route is a new obligation and is charged to the fiscal year that is current at the time the travel is performed.

(e) Round-trip ticket for travel to begin in the current fiscal year and end in the next fiscal year

(1) Record an obligation for the total round trip cost.

(2) Charge the fiscal year that is current when the transportation begins.

(3) If the return portion of the ticket cannot be used and a separate return ticket must be purchased, a new obligation is created. Charge the fiscal year in which the new return ticket is purchased.

(f) Per diem incident to official travel

(1) Record an obligation for the amount of the per diem accrued.

(2) Charge the fiscal year that is current when the allowances accrue (i.e., when the expenditures are made). When travel begins in one fiscal year and extends into the next fiscal year, the per diem obligation must be split along fiscal year lines, even though the cost of the ticket may have been chargeable in its entirety to the prior fiscal year.

(g) Mileage reimbursement

(1) Record an obligation for the amount of mileage allowance incurred.

(2) Charge the fiscal year that is current when the mileage expense is incurred.

b. Permanent Change of Station (PCS)

(1) General rule

(a) Record an obligation for the estimated total cost of reimbursable expenses of relocation related to a permanent change of station for employees transferred in the interest of the Government, such as per diem, temporary quarters, temporary storage of household goods, etc.

(b) Charge the fiscal year that is current when valid travel orders are issued. The Comptroller General has ruled that the Government has incurred an obligation to pay relocation expenses upon the issuance of valid travel orders to the transferred employee. (64-CG-45, 1984)

(2) Third party relocation service costs

(a) Record an obligation for the contract amount with the third party relocation firm for contractor-provided home sale services.

(b) Charge the fiscal year that is current when the purchase order under the contract is awarded. (66-CG-554, 1987) This is the only exception to the general rule stated in (2) (a) 2) above.

c. Travel Advances

(1) A travel advance is recognized (recorded) as an asset when made, and is recorded as an expense/obligation, with a corresponding reduction in the asset, when the travel is performed.

(2) Charge the fiscal year that is current when the travel is performed. This may be different from the year in which the travel advance was made.

10. Public Utilities Based on a written administrative determination

a. Record an obligation for services furnished during the billing period.

b. Charge the fiscal year in which the billing period ends. For example, charges for telephone and metered services (such as gas, electricity, water, and steam) for a time period beginning in one fiscal year and ending in another fiscal year may be charged against the appropriation at the end of the time period covered by the service.

11. Purchase Cards

a. Charges become accounts payable and are obligated when they enter CBS.

b. The single purchase limit for cardholders not in an acquisition position is generally \$2,500, with a monthly billing cycle limit of \$10,000.

c. For additional information, see <http://www.ago.noaa.gov/bankcard/>

12. Other Transactions and Legal Liabilities

a. Claims Payable Pursuant to Law

(1) Record an obligation in the amount certified for such payment.

(2) Charge the fiscal year that is current when the claim is finally approved.

(3) When final approval is required at a level higher than the activity holding the funds and the amount approved exceeds the funds available at the activity level, final approval and recording will be withheld until assurance is obtained that sufficient funds are available to cover the increased amount.

b. Present Legal Liabilities

(1) Record an obligation for an amount based on documents evidencing such legal liabilities, as determined by competent legal authority.

(2) Charge the fiscal year determined by the legal authority.

c. Liabilities Evidenced by Expenditure Documents For example, an approved invoice for payment for which no previous obligation was recorded:

(1) Record an obligation for the amount of the expenditure document if not previously obligated.

(2) Charge the fiscal year that is current when the expenditure is made.

d. Bills of Lading

(1) Record an estimated amount for a bill of lading to be issued for transportation of household goods of an employee making a Permanent Change of Station move.

(2) Charge the fiscal year that is current when valid PCS travel orders are issued.

(3) For other bills of lading, charge the fiscal year in which the material is accepted by the carrier.

(4) Obligations for transportation of material are not chargeable to the fiscal year in which the material is purchased if the transportation is separate from the contract to purchase and the carrier accepts the property in a later fiscal year.

e. Request for Training

(1) Record an obligation for the amount of the training.

(2) Charge the fiscal year in which the training is authorized.

(3) Training may be charged to the current fiscal year and performed in a subsequent fiscal year if:

(a) the training was authorized in the fiscal year preceding the performance,

(b) the training was non-severable,

(c) the scheduling of the training was beyond NOAA's/cross-serviced agencies' control; and

(d) the time between procurement and performance was not excessive.

f. Rental Contracts

(1) Record an obligation in the amount of the liability for the current reporting period.

(2) In the case of General Services Administration (GSA) rental space, record an obligation for payments owed (both earned and advanced) based upon bills rendered by GSA.

(3) For contracts with renewal options, record an obligation for the amount required to cover the basic period and any penalty charges for failure to exercise options.

02-07 ADJUSTING OBLIGATIONS.

1. Modifications

a. A modification within the general scope of the contract which does not increase the contract price remains an obligation of the year in which the contract was executed.

b. For modifications within the general scope of the original contract that are provided for in clauses such as the "Changes" clause, "Government Property" clause, or "Negotiated Overhead Rates" clause.

(1) Record an obligation for the amount of the increased cost.

(2) Charge the fiscal year in which the modification is executed.

c. For cost reimbursement contracts, a discretionary cost increase (i.e., an increase that is not enforceable by the contractor) which exceeds funding ceilings established by the contract but does not change the scope.

(1) Record an obligation for the amount of the increased cost.

(2) Charge the fiscal year cited on the original contract, if available. If not available, charge the fiscal year that was current when the discretionary increase was granted by the contracting officer.

2. Correcting Mistakes or Formalizing Informal Agreements

a. Record the increase or decrease of cost.

b. Charge the fiscal year cited on the original contract.

3. Terminations and Reductions

a. Adjustments because of terminations or reductions in contracts which are the result of revisions, cutbacks in procurement programs, or adjustments in unit prices:

(1) In instances of contract terminations, reductions, or price adjustments, the amount by which previously recorded unpaid obligations are to be reduced will be immediately reflected in the applicable accounts.

(2) If it appears that a contract affected by such a notice of termination, reduction, or price adjustment can be formally modified or revised prior to the end of the month in which such notice is issued, adjustment of the obligation will be made concurrently with the processing of the formal modification or revision of the contract.

(3) Also, refer to Section 02-06, 1. n. "Replacement Contracts."

b. Adjustments because of termination of contracts in whole or in part for the convenience of the Government by giving a notice of termination to the other party:

(1) The obligation recorded for the contract or agreement will be decreased by an amount which will result in an outstanding obligation sufficient to meet the settlement costs under such termination.

(2) The obligation will not be decreased below the estimate made by the contracting officer, based on the best evidence then available, of the amount due as a result of such termination.

(3) Also, refer to Section 02-06, 1. n., "Replacement Contracts."

4. Administrative Adjustments

a. For decreases in obligations on cost type contracts with no change in the scope:

(1) Record the decrease when the evidence clearly supports the determination that funds obligated under the contract are in excess of the amount the Government will ultimately expend.

(2) Such determinations will include realistic projections of the funds required to complete the contract. The determination will be made by the officer who administers the contract, based on contract experience.

b. Normally, such obligation adjustments will be accomplished by a formal modification to the contract.

5. Liquidated Damages The amounts of liquidated damages deducted and withheld under the terms of the contract will be deobligated after final payment of the contract unless the withheld amount is in dispute and proper documentation has been provided to have the obligation retained.

6. Combining Types of Contracts

a. Contracts or agreements may contain one or more of the provisions of the different types of contracts or agreements previously described.

b. Obligations will be recorded in accordance with the particular provisions or elements involved. For example, one element of a contract or agreement may be recordable immediately while another element may require further action or processing before it may be recorded. The total amount to be recorded as an obligation should be the sum of amounts arrived at for each of the various elements of the same type.

02-08 EFFECT ON OTHER ISSUANCES.

This Chapter supersedes Chapter 2 of the NOAA Finance Handbook, dated May 18, 1994, in its entirety.